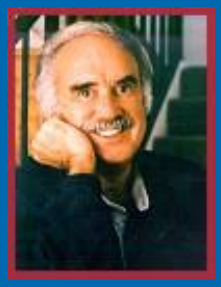
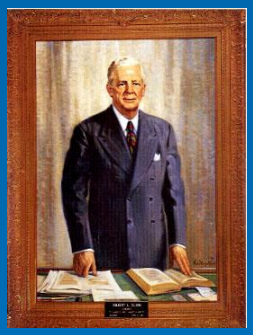
Will California Fix Its Health Insurance Problem?

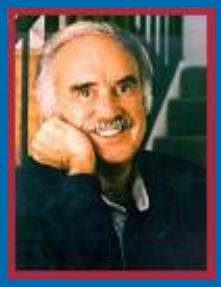


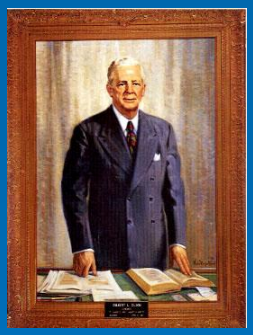


Daniel J.B. Mitchell
Ho-su Wu Professor
UCLA Anderson Grad School of Management
And
UCLA School of Public Affairs

LERA/National Policy Forum
June 15, 2007
Washington, DC

Will California Fix the Nation's Health Insurance Problem?





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CALIFORNIA REPUBLIC

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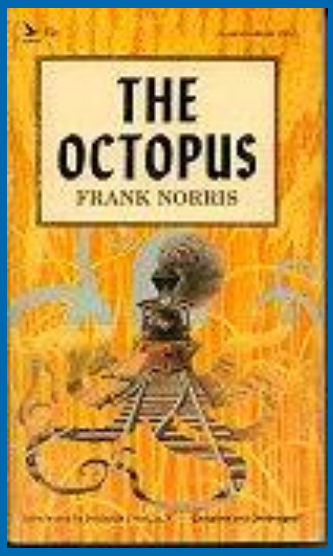
Early California History

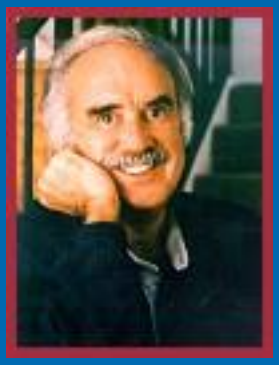
- Direct Democracy under Gov. Hiram Johnson
  - Initiative
  - Referendum
  - Recall
  - Workers' comp
  - Women's suffrage



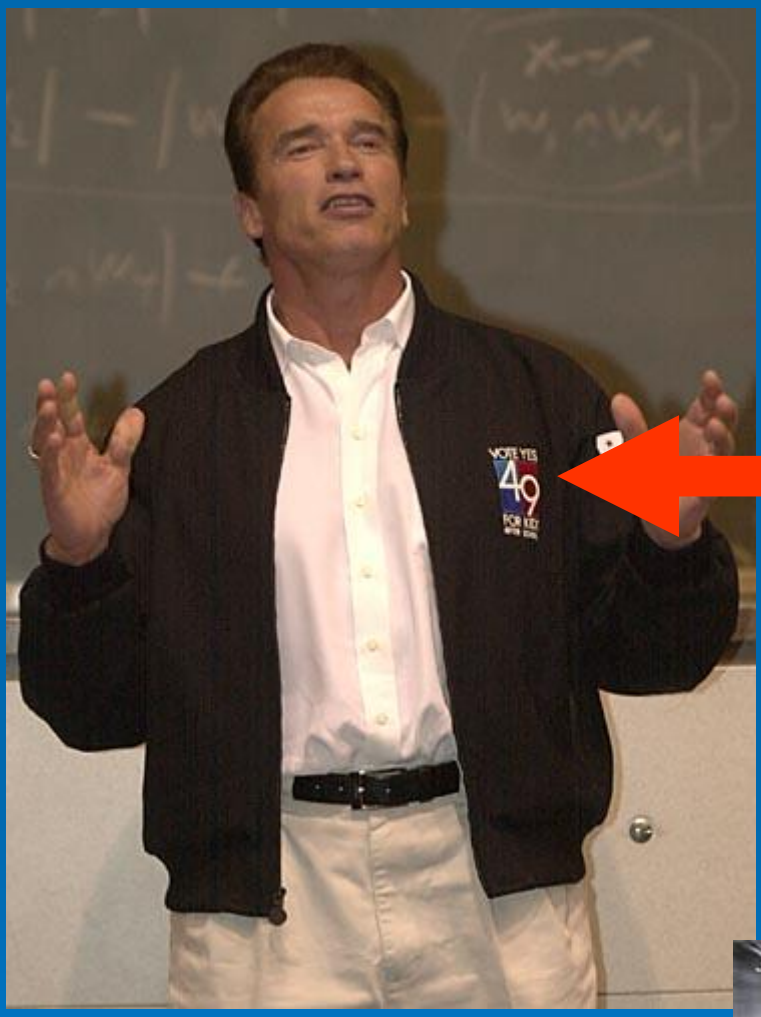
California Governor

Post-Warren

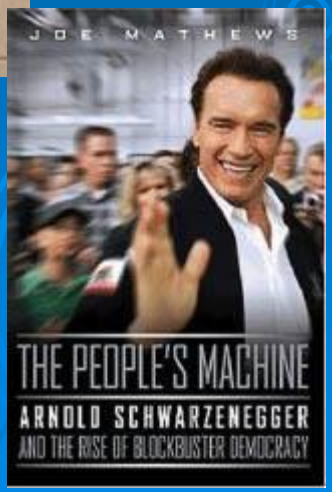
- 1992: Proposition 166
  - Employer mandate
  - Doctor driven (CMA)
  - Yes 31%; No 69%
- 1994: Proposition 186
  - Single payer
  - Yes 23%; No 77%
- 2003: Burton Bill (SB2)
  - Employer mandate (pay or play)
  - Pre-recall signing by Davis
  - Repealed by referendum Proposition 72 (2004)
  - Yes (sustain law) 49.2%; No 50.8%



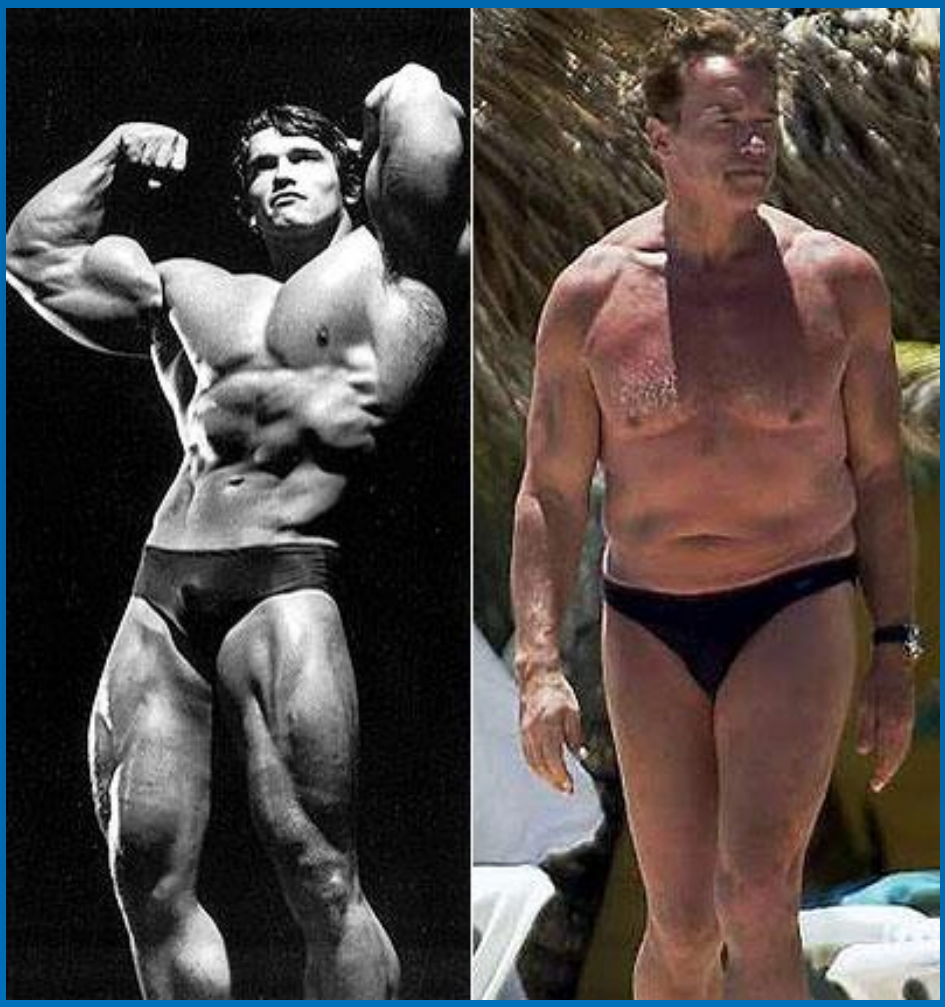
Prop 49: 2002



After-School Activities



Universal health care in California?



California has an aging population, although less so than the US as a whole.

"They can join and jump on the train. No. 2, they can go and stay behind and just wave… Or, No. 3, they get in front of the train. And you know what happens then."

Gov. Schwarzenegger 2005

Jan. 2006: Message Received

The Era of Good Feelings

…and the upcoming
Nov. 2006 election

Jan. 2007: We will get this done.

Universal health insurance

$12 billion from state, federal, employers, individuals

Population Movements

(in millions)

Table 3: Net Changes in Population for Entire Population (Under Age 65)			
Insurance Source	Before	After	Change
Public Insurance	6.6	8.1	1.5
Employer-Provided Insurance	18.8	18.8	0
Non-Group Insurance	2.1	2.7	0.7
New Pool for Low Income	0	1.9	1.9
Uninsured	4.9	0.8 *	-4.1
Total	32.4	32.4	0

Jonathan Gruber, MIT: 5/16/07

http://calhealthreform.org/images/gruberstudynunezperata051607.pdf

Prison Crisis

Infrastructure Needs

Roads

Public transit

Water

Structural Budget Deficit

2/3 vote required

Britain

AP /Eriko Sugita, POOL

Japan

Mexico

Canada

TOM TOLES *Washington Post*

LEADERSHIP & THE ENVIRONMENT
Newsweek
Save the Planet– Or Else
Outside
Arnold
179
Solutions for a Hot Planet
THE GREEN ISSUE

Enough green glory, governor. Now get back to work

The cover of Newsweek's nice, but what about term limits, prison overcrowding and healthcare reform?

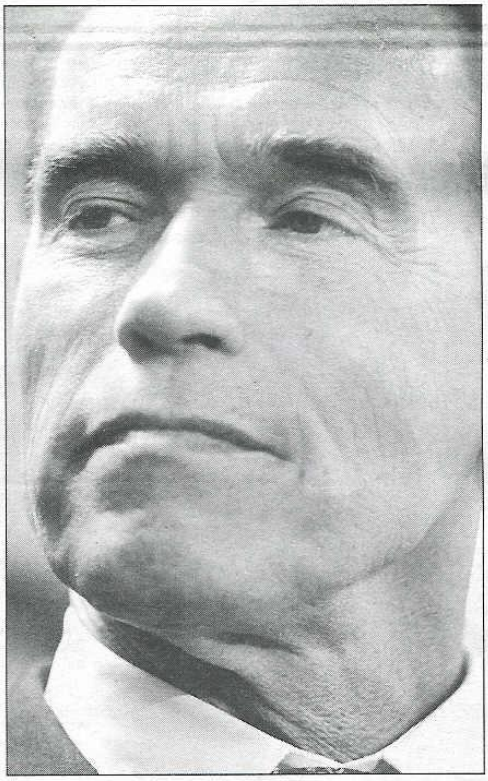
By Anthony York

Of late, Gov. Arnold Schwarzenegger has ridden the green wave to national — even global — prominence. He has received fawning media coverage — landing on the covers of Newsweek and Outside — as he travels the nation calling for tougher controls on carbon emissions to slow global warming.

In a New York speech, he scolded Detroit automakers for challenging California's stricter car-emissions standards, and in Washington, he preached that environmentalism is "hip." He will even appear in an episode of MTV's "Pimp My Ride" to inspect a remade car that runs on clean-burning fuel.

Schwarzenegger's green crusade has been a marketing coup, but some festering political issues at home may abruptly bring him down to political earth. Resolving these problems will do more to shape his legacy as governor than the landmark legislation he signed to slow global warming.

Chief among them is overcrowding in the state's prisons, in which 172,000 inmates occupy space for 100,000 and about 16,000 convicts are sleeping in hallways, gyms, recreation rooms or other areas not designed for housing. A federal judge has given the state until May 16 to come up with a plan to reduce the prison population. Last week, the first new prison in 15 years was dedicated. Another was under construction in San Quentin. Senate President Pro Tem Don Perata (D-Oakland) said the administration's secrecy on the project raised doubts about



Stefan Zaklin *European Pressphoto Agency*

SPOTLIGHT: *Gov. Arnold Schwarzenegger's green crusade has been a marketing coup, but it won't help him come up with a legislative sequel.*

islative form.

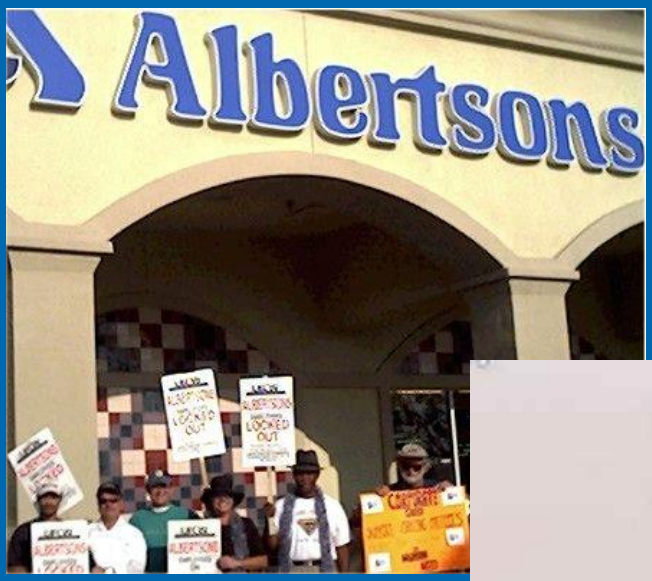
The governor's aides have been meeting with the legislative leadership, insurers and physician and hospital groups as many as four times a week. The Democratic leaders of the Assembly and Senate are expected to unveil their proposals this week. So far, Schwarzenegger seems content to allow others to introduce legislation.

Then there's the dreaded May budget revision, when state finance officials get their tally of actual tax receipts and compare them with the governor's January revenue and spending projections. Early indications are that the state's revenues will be at least $1 billion less than projected by the state Department of Finance in January. This probably will motivate Republicans, led by Assemblyman Mike Villines of Clovis, to urge the governor to take a harder line on state spending. In contrast to last year, all sides are girding for a long budget fight this summer. Villines has already sided with business groups in opposing the governor's healthcare plan, which they say will impose new taxes on California businesses.

Schwarzenegger, meantime, must deal with two political reform issues that could blow back on his prison and universal healthcare goals. Democratic leaders have put forth a term-limits proposal — one 12-year stint

MEETING THE GOVERNOR: ***Friday afternoon, at the Disneyland Hotel, Dr. William Burke, left, introduces Gov. Arnold Schwarzenegger to the International Asthma Conference. Jonah Ramirez, 11, center, beams upon their meeting. Ramirez, the American Lung Association's "Asthma Ambassador" had just addressed the conference himself. OC Register 4/28/07***

2003-4 Southern California Supermarket Strike



Kroger

Safeway

2003-4 Southern California Supermarket Strike

Steven A. Burd
CEO Safeway

Burd et al Proposals

Coalition to Advance Healthcare Reform

- **Health insurance required for everyone (individual-based)**
- **Subsidized insurance for those with low incomes**
- **Preexisting conditions covered**
- **Incentives for healthy behavior and prevention**
- **Tax deductions for individuals who buy insurance**
- **Costs of care revealed to consumers**

LA Times 5/7/07

Burd et al Proposals

Coalition to Advance Healthcare Reform

- Healt r everyor
- Subsi se with low inc
- Preex ed
- Incen or and prevent
- Tax d ls who buy ins
- Costs of care revealed to consumers

LA Times 5/7/07

Legislature Proposals

Democratic leadership plans

- **Almost all employers must provide health insurance or pay into a state fund**
- **Workers must accept employer insurance if offered (Assembly plan only)**
- **Insurers spend at least 85% of premiums on healthcare**
- **State-run insurance purchasing pool**
- **Incentives for healthy behavior and prevention under state-arranged insurance**
- **State insurance for all children from low- and moderate-income families**
- **Mandatory insurance for families with moderate incomes or higher (Senate plan only)**
- **Insurers could not refuse to sell policies to anyone (Senate only)**
- **Insurers must offer some plans with uniform benefits (Assembly only)**

LA Times 5/7/07

Legislature Proposals

Republican lawmakers' plans

- Expand neighborhood healthcare clinics to ease emergency room crowding
- Tax-free savings accounts allowed for high-deductible insurance
- Increased state payments to doctors and hospitals that treat the poor
- Medical providers get tax credit for unreimbursed treatment
- Reduction of mandates on what insurers cover
- Help for small businesses that join to buy insurance (Assembly only)
- Employers may buy combined health and worker-compensation coverage (Assembly only)
- Preexisting conditions covered (Assembly only)
- All First Five funds spent on children's healthcare (Senate plan only)

LA Times 5/7/07

State Sen. Sheila Kuehl

Single Payer

Formerly Zelda on Dobbie Gillis

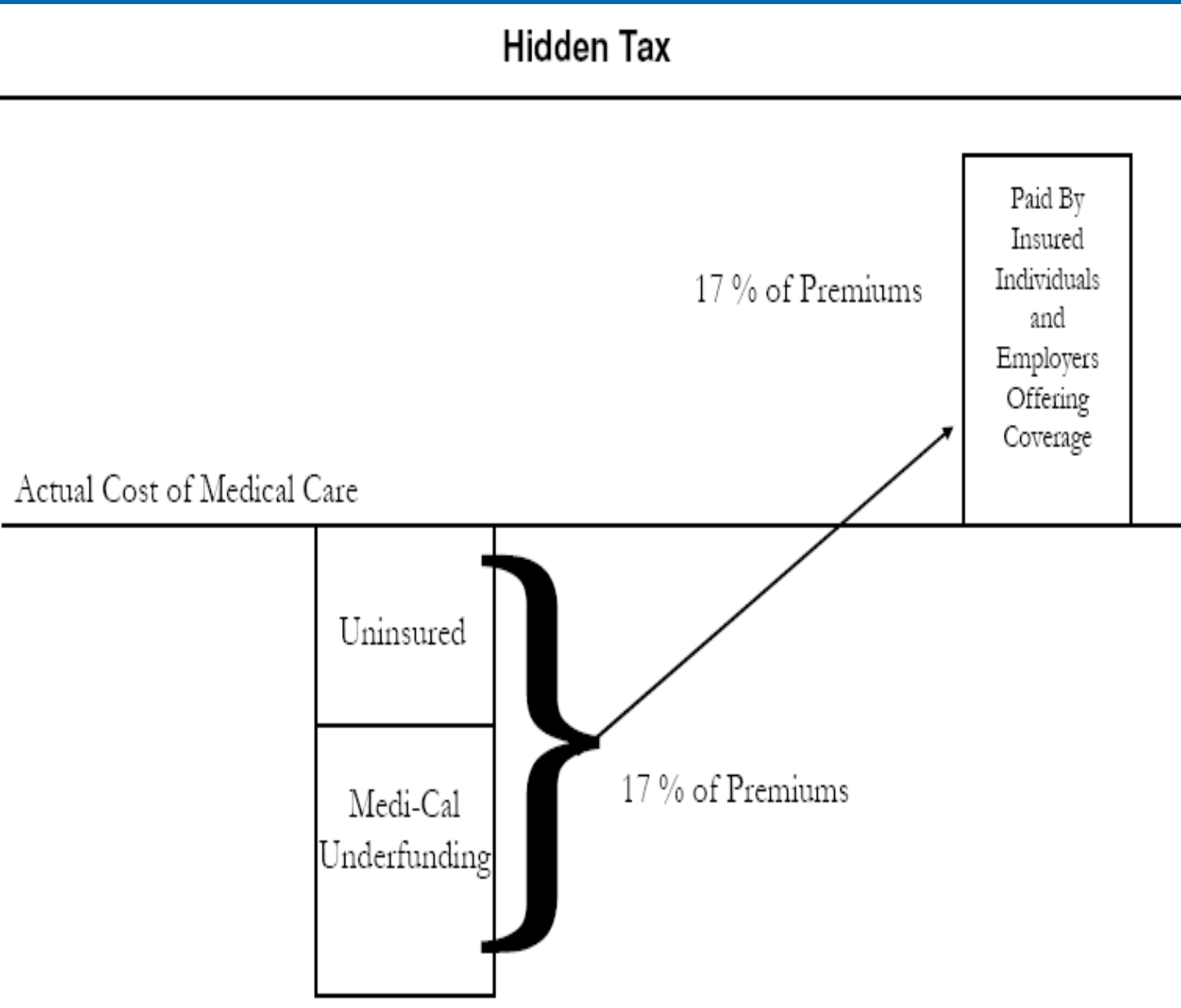
Governor's Proposal

- Yet to be a bill:
  - Health insurance required for everyone
  - State-subsidized insurance for those with low incomes
  - Companies with 10 or more workers provide insurance or pay into a state fund
  - Incentives for healthy behavior and prevention
  - Insurers could not refuse to sell policies to anyone or charge unhealthy people more
  - Insurers spend at least 85% of premiums on healthcare
  - Increased state payments to doctors and hospitals that treat the poor
  - Fees assessed on earnings of hospitals and doctors
  - State-subsidized insurance for all children from low- and moderate-income families
  - Tax-free savings accounts allowed for the purchase of high-deductible insurance

LA Times 5/7/07

From official proposal:

http://www.stayhealthycalifornia.com/



Los Angeles Times
CLASSIFIED
How To Get Free Money From The U.S. Government!

Growing Consolidation of Health Insurance Providers

- Top 7 HMOs & Top 6 PPOs
  - Kaiser (no PPO)
  - Blue Cross
  - Blue Shield
  - Cigna
  - Aetna
  - Pacificare
  - Health Net

- HMOs: 9 out of 10 covered age < 65
- PPOs: 7 out of 10 covered age < 65

2005 CHIS Data: Private Sector

Growing Consolidation of Health Insurance Providers

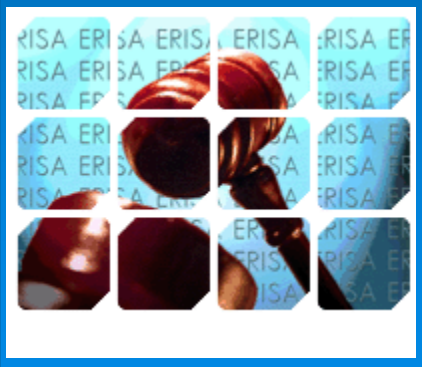
- Fewer players (might) = easier deals
- Less risk of Harry and Louise type campaigns?
- Too late; they're back!

Uncertain Future

- Lack of legislative consensus?
  - Priorities, focus

- ERISA preemption?
  - The Maryland example
- Fee vs. tax
  - Prop 13 (1978) and 2/3 vote requirement

- Direct democracy
  - Repeal via referendum as in 2004



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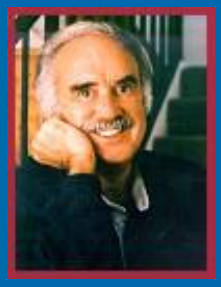

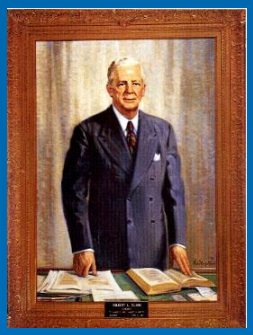

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